

STATE OF ILLINOIS

BEFORE THE ILLINOIS COMMERCE COMMISSION

Interstate Power and Light
Company and ITC Midwest LLC

Joint Petition For Approval Of
Sale of Utility Assets Pursuant To
Section 7-102; Transfer of
Franchises, Licenses, Permits or
Rights to Own Pursuant to
Section 7-203; Transfer of
Certificates of Convenience and
Necessity Pursuant to Section 8-
406; Approval of the
Discontinuance of Service
Pursuant to 8-508; and the
Granting of All Other Necessary
and Appropriate Relief.

Docket No. 07-0246

ITC Midwest Exhibit PAW 7.2

OFFICIAL FILE

I.C.C. DOCKET NO. 07-0246

Joint Pet Exhibit No. 7.2

Witness _____

Date 7/26/07 Reporter _____

ITC Holdings Corp (ITC)

COMPANY UPDATE

Better after Further Review

We have updated our earnings model and valuation work to incorporate the anticipated acquisition of Alliant's IP&L transmission system.

Our more refined estimates are consistent with our \$0.09 estimate of 2008 accretion and compound EPS accretion in the out years is greater than we had initially anticipated.

We are raising our target price for ITC to \$46 per share, built up from DCF and traditional multiples, and are maintaining our Outperform rating.

We like the acquisition and believe ITC has opened new strategic doors by

- **Firmly expanding into states beyond Michigan**
- **Showing repeatability in its consolidation strategy**, providing credibility when ITC approaches other potential sellers
- **Providing a platform to demonstrate the benefits of ITC servicing transmission needs**, allowing more capital constrained incumbent utilities to focus on other infrastructure needs (for LNT, more generation).

Even with Friday's move, we see drivers that could add \$6-9 to our target:

- **Details on ITC Midwest capex in early Q207** (\$1.00-2.00 / share)
- **Completion of feasibility study on Michigan transmission line** (\$3 PV)
- **Kansas decision on ITC as a state utility**, providing opportunity to push forward on proposed transmission projects (\$1.50-2.00 PV)
- **ROE at ITC Midwest consistent with ITC / METC** (\$1.50-2.00)

Rating **OUTPERFORM***
Price (19 Jan 07) 41.66 (US\$)
Target price (12M) (from 40.00) 46.00 (US\$)
52 week high - low 41.66 - 25.03
Market cap. (US\$ m) 1,762.09
Enterprise value (US\$ m) 2,913.30

* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

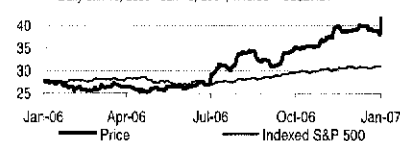
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Share price performance

Daily Jan 19, 2006 - Jan 13, 2007, 1/19/06 = US\$27.81



On 01/19/07 the S&P 500 index closed at 1,430.50

Quarterly EPS	Q1	Q2	Q3	Q4
2005A	0.25	0.37	0.54	0.05
2006E	0.08	0.23	0.48	0.20
2007E	0.33	0.48	0.73	0.26

Financial and valuation metrics

Year	12/05A	12/06E	12/07E
EPS (CS adj., US\$)	1.19	0.99	1.78
Prev. EPS (US\$)		1.01	1.80
P/E (x)	34.9	42.1	23.4
P/E rel. (%)	192.8	263.7	161.2
Revenue (US\$ m)	205.3	228.5	428.2
EBITDA (US\$ m)	117.8	128.0	242.1
OCFPS (US\$)	1.88	3.86	3.54
P/OCF (x)	14.9	10.3	11.8
EV/EBITDA (current)	19.1	22.8	14.7
Net debt (12/05A, US\$ m)	492.7	1151.2	1791.2
ROIC	—	—	—
Number of shares (m)	42.30	IC (12/06E, US\$ m)	—
BV/share (current, US\$)	7.78	EV/IC (x)	—
Net debt (current, US\$ m)	596.9	Dividend (current, US\$)	1.08
Net debt/Total cap. (current)	69.0%	Dividend yield	2.6%

Source: Company data, Credit Suisse estimates

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Room for More

In the following pages we address our earnings expectations and valuation methodology directly, but thought the key conversation needs to be identifying additional opportunity in ITC shares following the stock's nearly 9% move on the acquisition announcement. From our perspective we see two distinct camps for opportunity in ITC shares – those that are directly quantifiable with identifiable timing and those that are more conceptual but should not be overlooked.

When we take into account the quantifiable value drivers discussed below, we see further upside to our \$46 target price that could reach \$52-56 per share.

Exhibit 1: Incremental Value Drivers

Target	46.00	
Michigan Line	2.50	3.50
Kansas Investments	1.50	2.00
ITC Midwest Greenfield	1.00	2.00
ITC Midwest Higher ROE	1.50	2.00
Future Consolidation	???	???
	6.50	9.50
Potential	\$52.50 - 55.50	

Source: Company data, Credit Suisse estimates

High voltage Michigan transmission line

ITC has been working with AEP to develop a 765 kV transmission line that would partly cross ITC's Michigan transmission system. While the companies are finishing up their feasibility study now, we believe more color on this project will come in 1H07. Assuming a cost of \$850 MM for ITC's piece of the project (which could be low), we would add approximately almost \$3 per share to our target price.

Kansas greenfield transmission projects

ITC has filed its application to become a Utility in the state of Kansas, which is now being considered by the state commission. As best we can tell, no formal schedule exists for approval of ITC's request but this appears to be the major impediment keeping ITC from moving forward with its efforts to invest in Kansas infrastructure. The total opportunity, as identified by Kansas, could reach \$1 BN of new investment. Assuming ITC is successful and is able to build half of the projects, the NPV benefit to shareholders would be in the \$1.50-2.00 per share range.

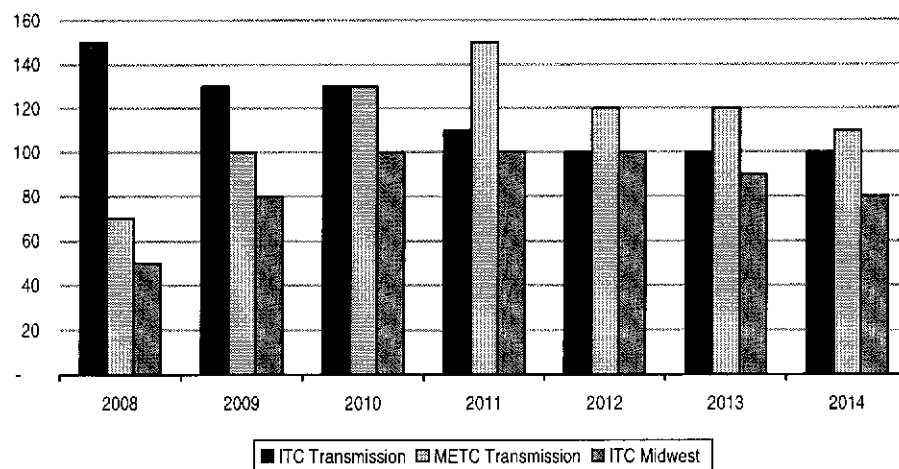
More capex at ITC Midwest

We appreciate that it's a little crazy to talk about spending upside for a business that is in the early stages of being acquired and for which management has yet to provide baseline capex expectations. Those reservations aside, we still think the conversation warrants some consideration.

Our baseline assumptions for ITC Midwest effectively follow the same ramping growth in capex that we have modeled for METC (although we have target spending levels lower than those for METC as shown in Exhibit 2). That said, we believe there are greater capex opportunities at ITC Midwest than the traditional pursuit of repairing / improving existing transmission system infrastructure in light of Alliant's plans to build new coal and wind powered generation – assets that could reasonably require greenfield transmission investment to deliver the new energy output to demand centers. We do not know how to explicitly quantify the opportunity but believe one exists.

An additional \$400 MM of greenfield capex would add about \$1.50 of present value upside to our target. We would look for considerably more color on capex expectations when ITC files with the state utility commissions in Iowa, Minnesota, and Illinois in early Q207.

Exhibit 2: Projected Capex by Utility: 2008-2014



Source: Company data, Credit Suisse estimates

Higher ROE at ITC Midwest

Our estimates including ITC Midwest assume the allowed ROE stays at 12.38%, which is below the returns for ITC's other utilities (13.88% and 13.38%, respectively). While the FERC is moving away from making explicit ROE adjustments between independent and integrated transmission operators, we believe ITC has a solid basis for requesting an ROE at ITC Midwest more consistent with its other utilities. Raising our ROE assumption by 100 basis points to 13.38% (same as METC) would add about \$1.50 of value to our target and would raise 2008 earnings estimates by \$0.05.

Platform for More Consolidation

The million (and arguably billion) dollar question prompted by ITC's second announced transmission system acquisition in less than a year is *whether this strategic direction is repeatable?* We have been admittedly skeptical since the IPO as to whether ITC would be able to acquire other transmission systems – the barriers to such transactions seemed too high. And, while we could downplay the METC acquisition as a natural solution for that business, the acquisition of Alliant's IL&P transmission business appears to address the issue head-on and indicate that there are willing sellers of transmission assets.

We do not know how to quantify – not would we want to attempt to quantify – the opportunities available to ITC to repeat the Alliant deal. That said, we also recognize that we should not count ITC out from repeating similar transactions, particularly as the company demonstrates its ability to improve transmission system reliability. We are not going to attach an assumed amount of value creation that could come from more consolidation, but we believe the incremental earnings growth from acquisition should at least continue to support ITC's premium valuation and lend confidence to the sustainability of the company's double-digit earnings growth trajectory.

Thoughts for Modeling

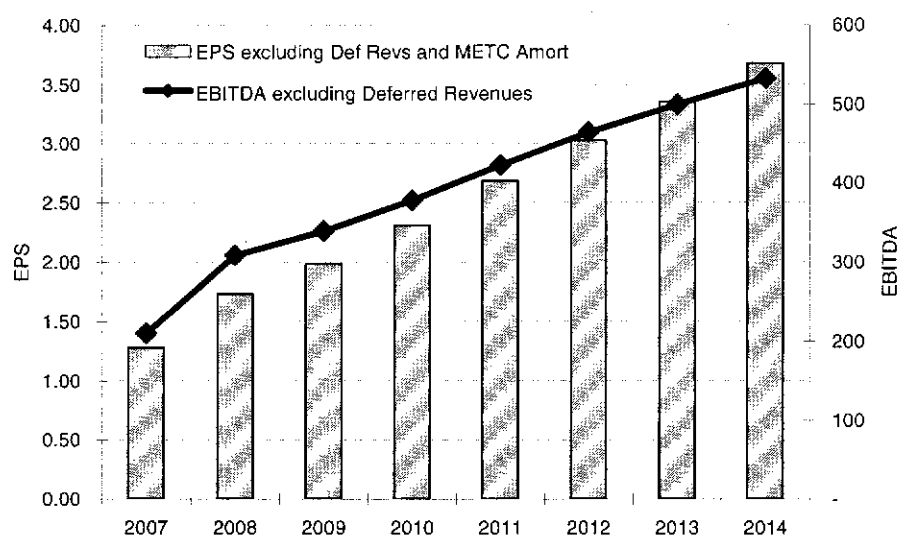
ITC provided a good amount of color around the Alliant transmission system acquisition without getting into financial specifics. While we always appreciate more details rather than less, we believe management is following a prudent course by wanting to include the state utility commissions in discussions about state specific transmission investment needs rather than making independent decisions and then sharing with the street.

Accordingly, we have had to thread together a number of assumptions and various regulatory filings to provide a more comprehensive look at the earnings accretion / benefit that should come from the acquisition. Our major observations:

- We built our Attachment O rate design using the 12/31/05 filing as a starting point and the \$400-425 MM rate base in 2007 as goal posts for a rate base starting point.
- We assume capex at ITC Midwest will ramp over the 2008-2010 period, similar to what is expected at METC. Our capex forecasts are fairly consistent with our expectations for METC but include a modest haircut relative to the METC numbers (Exhibit 2).
- We continue to use the currently allowed 12.38% ROE although we would look for ITC to pursue a higher ROE more consistent with the other utilities (13.88% and 13.38%).
- We assume FERC approves a forward looking rate mechanism effective 1/1/08 and ITC's 60% equity ratio, which would be consistent with what is allowed at the other utilities.
- We assume the deal closes on 12/31/07.

In Exhibits 6-9 we provide a look at our major model assumptions and consolidated financial statements for ITC. Exhibit 3 provides a look at our estimated EPS and EBITDA progression by year for the consolidated company (we exclude both historical deferred revenue recovery from ITC and METC as well as METC acquisition amortization to make period comparisons more applicable).

Exhibit 3: ITC EPS and EBITDA: 2007-2014



Source: Company data, Credit Suisse estimates

Valuation

We always find the greatest challenge with the ITC story coming from valuation, largely because there is no good comp group for the stock. Accordingly, we focus our efforts predominately on DCF valuation to take into account the large capital spending program over coming years and higher level of free cash generation at the end of the capital investment cycle. Exhibits 4 and 5 look at implied fair values for ITC under different discount rate and terminal value assumptions. Using the two methodologies (terminal multiple and perpetual growth), we are comfortable with a \$46 fair value for the stock before taking into account the incremental value drivers identified in Exhibit 1.

Exhibit 4: DCF Valuation: Terminal Multiple

	Discount Rate						
	5.70%	5.80%	5.90%	6.00%	6.10%	6.20%	6.30%
Terminal EBITDA Multiple	9.25x	43.82	42.87	41.94	41.02	40.11	39.22
	9.50x	45.64	44.67	43.72	42.78	41.85	40.93
	9.75x	47.46	46.47	45.49	44.53	43.58	42.64
	10.00x	49.28	48.27	47.27	46.28	45.31	44.35
	10.25x	51.10	50.07	49.05	48.04	47.05	46.07
	10.50x	52.92	51.86	50.82	49.79	48.78	47.78
	10.75x	54.74	53.66	52.60	51.55	50.51	49.49

Source: Company data, Credit Suisse estimates

Exhibit 5: DCF Valuation: Perpetual Growth

	Discount Rate						
	5.70%	5.80%	5.90%	6.00%	6.10%	6.20%	6.30%
Terminal Growth Rate	2.50%	48.33	45.18	42.22	39.43	36.80	34.33
	2.60%	50.72	47.40	44.28	41.36	38.60	36.01
	2.70%	53.27	49.76	46.48	43.40	40.51	37.79
	2.80%	55.99	52.28	48.81	45.57	42.53	39.67
	2.90%	58.91	54.98	51.31	47.88	44.67	41.67
	3.00%	62.05	57.86	53.97	50.35	46.96	43.79
	3.10%	65.43	60.97	56.83	52.98	49.40	46.05

Source: Company data, Credit Suisse estimates

Earnings Model

Exhibit 6: Key Earnings Model Assumptions

	2006	2007	2008	2009	2010	2011	2012	2013	2014
EPS recurring	0.93	1.57	1.99	2.24	2.12	2.49	2.84	3.17	3.49
Growth	-22.3%	69.6%	26.6%	12.6%	-5.4%	17.5%	13.7%	11.6%	10.1%
EPS ex METC amort	0.99	1.78	2.18	2.43	2.31	2.68	3.03	3.36	3.68
Growth	-17.0%	79.9%	22.3%	11.6%	-4.9%	16.1%	12.8%	10.9%	9.6%
EPS ex METC amort & Def Revs		1.28	1.73	1.98	2.31	2.68	3.03	3.36	3.68
Growth			35.2%	14.6%	16.5%	16.1%	12.8%	10.9%	9.6%
EBITDA	128	242	341	372	378	423	464	500	533
Growth	8.7%	89.1%	40.7%	9.0%	1.8%	11.8%	9.8%	7.7%	6.6%
EBITDA ex Def Revs	96	210	309	339	378	423	464	500	533
Growth	-18.5%	118.8%	46.9%	10.0%	11.4%	11.8%	9.8%	7.7%	6.6%
ITC EPS	0.99	1.69	1.74	1.90	1.88	2.02	2.12	2.22	2.32
Growth	-17.4%	70.9%	3.3%	8.9%	-1.1%	7.5%	5.3%	4.6%	4.5%
ITC EPS ex Def Revenues	0.77	1.50	1.57	1.73	1.88	2.02	2.12	2.22	2.32
Growth	-35.4%	94.4%	5.1%	9.8%	8.4%	7.5%	5.3%	4.6%	4.5%
Modeled Capex	145	190	150	130	130	110	100	100	100
Model ROE	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Model Equity Ratio	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Peak Load	108,452	110,621	111,728	112,845	113,973	115,113	116,264	117,427	118,601
Peak Load Growth	-2.2%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
METC EPS	1.16	1.04	0.94	1.01	0.87	1.06	1.24	1.40	1.54
Growth		-9.8%	-10.2%	8.2%	-14.4%	21.9%	17.7%	12.1%	10.1%
METC EPS ex Def Revenues	0.63	0.73	0.66	0.73	0.87	1.06	1.24	1.40	1.54
Growth		16.1%	-10.1%	11.8%	18.4%	21.9%	17.7%	12.1%	10.1%
Modeled Capex	5	25	70	100	130	150	120	120	110
Model ROE	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%	13.4%
Model Equity Ratio	53.8%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Peak Load	82,571	83,644	85,317	87,023	88,764	90,539	92,350	94,197	96,081
Peak Load Growth	-3.3%	1.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
LNT EPS			0.69	0.76	0.86	0.98	1.10	1.21	1.29
Growth				9.6%	13.8%	13.9%	11.8%	9.6%	7.1%
Base Capex		35	50	80	100	100	100	90	80
Model ROE		12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Base Equity Ratio		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Peak Load		0	0	0	0	0	0	0	0
Peak Load Growth		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Costs									
Cost Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Tax Rate		35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%

Source: Company data, Credit Suisse estimates

Exhibit 7: Consolidated Income Statement

Income Statement	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604
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Exhibit 8: Consolidated Cash Flow Statement

Cash Flow Statement	2005	2006	Q1'07	Q2'07	Q3'07	Q4'07	2007	2008	2009	2010	2011	2012
Net Income	34.7	33.3	11.2	17.4	27.8	9.0	65.4	92.7	104.4	98.8	115.1	132.1
D&A	33.2	41.8	12.9	12.9	12.9	12.9	51.4	72.4	76.6	81.9	87.6	93.6
Amort. Of Def. Financing Fees	1.4	1.3	0.3	0.3	0.3	0.3	1.2	1.2	1.2	1.2	1.2	1.2
Amort. Of Reg. Assets	1.9	3.1	1.3	1.3	1.3	1.3	5.1	5.1	5.1	5.1	5.1	5.1
Amort. Of METC purchase		3.5	3.5	3.5	3.5	3.5	13.9	13.9	13.9	13.9	13.9	13.9
Stock Based Comp Exp.	1.8	3.1	0.6	0.7	0.9	0.9	3.1	3.1	3.1	3.1	3.1	3.1
Def. Income Taxes	17.5	16.8	3.5	5.2	8.0	2.9	19.6	18.9	21.1	20.0	23.3	26.3
AFUDC	(2.8)	(4.0)	(0.6)	(0.6)	(0.6)	(0.6)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Working Capital Changes	(24.9)	47.2	(2.5)	(2.5)	(2.5)	(2.5)	(10.0)	(9.0)	(4.4)	1.1	(5.7)	(4.9)
Other	(1.1)	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	61.7	138.6	30.1	38.1	51.4	27.6	147.3	195.8	218.5	222.7	242.2	268.0
ITC Capex	(118.6)	(145.0)	(47.5)	(47.5)	(47.5)	(47.5)	(190.0)	(150.0)	(130.0)	(130.0)	(110.0)	(100.0)
METC Capex		(5.0)	(6.3)	(6.3)	(6.3)	(6.3)	(25.0)	(70.0)	(100.0)	(130.0)	(150.0)	(120.0)
Midwest Capex								(50.0)	(80.0)	(100.0)	(100.0)	(100.0)
Disposal / (Acquisition)	5.7	(556.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		(0.6)										
Investing Cash Flow	(112.9)	(706.6)	(53.8)	(53.8)	(53.8)	(603.8)	(965.0)	(270.0)	(310.0)	(360.0)	(360.0)	(320.0)
Debt Issuance / Repurchase	32.9	340.5	34.7	26.8	14.0	563.3	638.8	127.3	146.2	193.7	175.9	111.8
Dividends	(17.4)	(38.0)	(11.1)	(11.1)	(11.7)	(12.2)	(46.1)	(53.1)	(54.7)	(56.3)	(58.0)	(59.8)
Stock Issuance / (Repurchase)	46.3	269.9	0.0	0.0	0.0	225.0	225.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(21.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	61.8	551.5	23.6	15.7	2.3	776.1	817.7	74.2	91.5	137.3	117.8	52.0
Net Change in Cash	10.5	(16.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Beginning Cash		24.6	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
Ending Cash		8.0	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2

Source: Company data, Credit Suisse estimates

Exhibit 9: Consolidated Balance Sheet

Balance Sheet	2005	2005	Q107	Q307	Q407	2007	2008	2009	2010	2011	2012
Cash & Equivalents	24.6	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
Restricted Cash	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Accts Receivable	19.7	27.5	30.0	32.5	37.5	37.5	49.2	53.0	54.7	60.1	65.1
Inventory	19.4	33.2	33.2	33.2	33.2	33.2	43.5	46.9	48.4	53.1	57.8
Other	8.9	31.4	31.4	31.4	31.4	31.4	31.4	31.4	31.4	31.4	31.4
Current Assets	72.6	110.8	113.1	115.6	118.1	120.6	142.6	149.8	153.0	163.2	172.6
Net PPE	503.5	1,081.8	1,119.8	1,157.9	1,195.9	1,984.0	2,170.1	2,392.1	2,658.9	2,919.8	3,134.8
Goodwill	174.3	561.8	561.8	561.8	561.8	561.8	561.8	561.8	561.8	561.8	561.8
Intangibles	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Reg. Assets - Acquisition Adj.	52.0	48.1	46.9	45.6	44.3	43.0	37.9	32.8	27.7	22.6	17.5
Reg. Assets - Other	6.1	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3	71.3
Other	8.0	30.4	26.8	21.7	13.7	10.7	(8.1)	(28.2)	(49.3)	(72.6)	(98.9)
Other Assets	240.4	781.6	776.8	770.3	756.8	756.8	732.9	706.7	681.5	653.1	621.7
Total Assets	916.5	1,874.0	2,009.7	2,043.8	2,075.1	2,861.4	3,045.6	3,248.6	3,493.4	3,736.1	3,929.1
Accts Payable	27.6	113.9	113.9	113.9	113.9	113.9	126.9	129.7	134.0	138.4	142.9
Accrued Interest	10.5	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Current Debt	0.0	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6
Other	14.6	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9
Current Liabilities	52.7	159.5	159.5	159.5	159.5	159.5	172.5	175.3	179.6	184.0	188.6
Pension	5.9	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Postretirement	2.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Deferred Comp.	0.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Reg. Liability	45.6	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4
LT Debt	517.3	1,125.5	1,180.6	1,187.6	1,201.9	1,765.5	1,894.0	2,041.4	2,236.3	2,413.4	2,526.4
Other Debt	0.0	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3
Deferred Income Taxes	21.3	56.4	56.4	56.4	56.4	56.4	56.4	56.4	56.4	56.4	56.4
Other	8.4	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Non Current Liabilities	600.7	1,302.1	1,337.1	1,364.2	1,378.5	1,942.1	2,070.6	2,218.0	2,412.9	2,589.9	2,703.0
Equity	263.3	512.3	513.0	520.0	537.0	759.8	802.5	855.3	900.9	982.2	1,037.6
Total Shareholders' Equity & Liab.	916.6	1,874.0	2,009.7	2,043.8	2,075.1	2,861.4	3,045.6	3,248.6	3,493.4	3,736.1	3,929.1
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	517.3	1,165.4	1,200.5	1,227.6	1,241.8	1,805.4	1,933.9	2,081.3	2,276.2	2,453.3	2,566.3
Net Debt	492.7	1,151.2	1,186.2	1,213.3	1,227.6	1,791.2	1,919.7	2,067.1	2,262.0	2,439.0	2,552.1
BVPS	8.04	14.27	12.47	12.64	13.05	17.69	17.23	18.37	19.34	20.66	22.28
Debt / Cap	66.3%	69.5%	70.1%	70.2%	69.8%	70.4%	70.7%	70.9%	71.6%	71.8%	71.2%
Net Debt / Cap	65.2%	69.2%	69.8%	70.0%	69.6%	70.2%	70.5%	70.7%	71.5%	71.7%	71.1%
Net Debt / Equity	187.1%	224.7%	231.2%	233.3%	228.6%	235.7%	239.2%	241.7%	251.1%	253.5%	246.0%
FFO	91.9	92.2	32.7	40.5	53.6	156.7	204.1	222.2	220.9	247.2	272.2
FFO / Debt	17.8%	7.9%	2.7%	3.3%	4.3%	8.7%	10.6%	10.7%	9.7%	10.1%	10.6%
FFO / Interest	3.3x	2.6x	1.8x	2.2x	2.8x	2.1x	1.9x	1.9x	1.7x	1.8x	1.8x

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 19 Jan 07)

Alliant Energy Corp. (LNT, \$36.70)

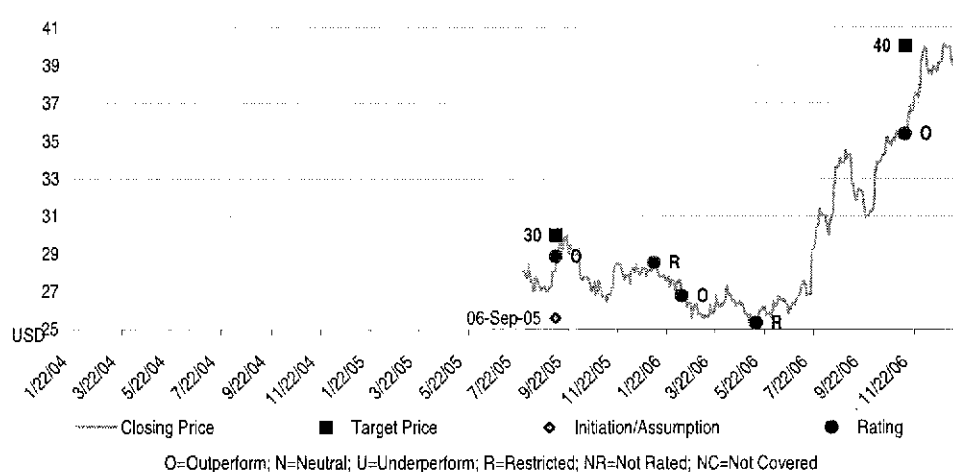
American Electric Power Co., Inc. (AEP, \$41.94, OUTPERFORM, TP \$43.00, UNDERWEIGHT)

ITC Holdings Corp (ITC, \$41.66, OUTPERFORM, TP \$46.00, UNDERWEIGHT)

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3-Year Price, Target Price and Rating Change History Chart for ITC

ITC Date	Closing Price Price (US\$)	Target Price Price (US\$)	Rating	Initiation/ Assumption
9/6/05	28.85	30	OUTPERFORM	X
1/6/06	28.53		RESTRICTED	
2/9/06	26.75		OUTPERFORM	
5/12/06	25.34		RESTRICTED	
11/10/06	35.36	40	OUTPERFORM	

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